

CITY OF MANILLA

Independent Accountants' Examination Report
For the Period
July 1, 2012 through June 30, 2013

OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants
CARROLL, IOWA

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountants' Examination Report	4-5
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 7
Reconciliation of Utility Billings, Collections and Delinquent Accounts	B 7
Monthly Treasurer's Report	C 7
Approval of Payroll	D 8
Business Transactions	E 8
Electronic Check Retention	F 8
Staff	9

City of Manilla

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leonard Kaufmann	Mayor	December 31, 2013
Carolyn Rutherford	Council Member	December 31, 2014
Wyatt Badow	Council Member	December 31, 2013
Pat Wuestewald	Council Member	December 31, 2015
Deb Fender	Council Member	December 31, 2015
Jeremy Misselhorn	Council Member	December 31, 2015
Maurice Henkelman	Board of Trustee	December 31, 2014
Barry Christensen	Board of Trustee	December 31, 2016
Dawn Sturm	Board of Trustee	December 31, 2018
James Heller	Clerk	January 2014
Mary Ann Macumber	Treasurer	January 2014
Allen Nepper	Attorney	Indefinite

OLSEN, MUHLBAUER & CO., L.L.P.

Certified Public Accountants

PARTNERS

**RICHARD D. MUHLBAUER
PATRICK J. O'BRIEN
TRUDENE L. WITTMACK
KARLA L. FULTON
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INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Manilla pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Manilla for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository solutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.

10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Manilla, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Manilla, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manilla and other parties to whom the City of Manilla may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manilla during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Olsen, Muhlbaumer & Co., LLP
OLSEN, MUHLBAUER & CO., L.L.P.
Certified Public Accountants

Carroll, Iowa
January 10, 2014

DETAILED RECOMMENDATIONS

CITY OF MANILLA

Detailed Recommendations For the Period July 1, 2012 through June 30, 2013

- (A) **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City (a separate individual performs duties for the utility funds):

- 1) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 3) Payroll – recordkeeping, preparation and distribution.
- 4) Utilities – billing, collecting, depositing and posting.
- 5) Financial reporting – preparing and reconciling.
- 6) Journal entries – preparing and journalizing.

Recommendations – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** – Utility billings, collections and delinquent accounts were not formally reconciled throughout the year.

Recommendations – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and an aged accounts receivable list monthly.

- (C) **Monthly Treasurer's Report** – The city treasurer compares bank activity to receipts and checks recorded by the clerk's office monthly; however, a true bank reconciliation is not performed. In addition, direct deposits are not timely recorded. The result is that the June 2013 Treasurer's Report totals, and consequently the City's general fund balance, are understated by \$3,863.

Recommendations – The City should review the Treasurer's procedures used to provide accurate balances to the Clerk and ensure that all reconciling items are properly identified on a timely basis. The City should determine the appropriate course of action for correcting the general fund balance and related reports.

CITY OF MANILLA

Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013

- (D) **Approval of Payroll** – The City Council has approved raises for part-time employees as a percentage increase over the prior year. The Iowa Code requires that wage increases be approved as an hourly rate or salary and not just a percentage increase.

Recommendations – The City should comply with the Code of Iowa and approve all raises as a salary or hourly rate.

- (E) **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Barry Christensen, Utility Board Trustee, Owner of Harvey's Oil Co.	Purchase of gas, diesel and repairs	\$17,097.30

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendations – It is noted that this is the only economically feasible vendor; however, the City should consult legal counsel to determine the disposition of this matter.

- (F) **Electronic Check Retention** – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendations – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

CITY OF MANILLA

Detailed Recommendations
For the Period July 1, 2012 through June 30, 2013

City of Manilla

Staff

This examination was performed by:

Richard D. Muhlbauer, CPA, Manager
Patrick J. O'Brien, CPA, In-Charge
Stacy L. Kelly, CPA, Staff